

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Vernon Bancshares, Inc.

Point of Contact:	Samuel Andrew Johnson	RSSD: (For Bank Holding Companies)	382537
UST Sequence Number:	1199	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	6,000,000	FDIC Certificate Number: (For Depository Institutions)	51
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	June 12, 2009	City:	Vernon
Date Repaid ¹ :	N/A	State:	Alabama

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Initially, this allowed us to make more loans than we would have otherwise. However, current lending demand is very weak but we still are able to make more loans than we likely would have otherwise.

☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

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☒ **Increase securities purchased (ABS, MBS, etc.).**

We have increased ownership in Agency Backed Securities and similar product related to loan pools with agency backing. We see this as something that will continue for the next year, at least until loan demand is substantially improved.

☐ **Make other investments.**

☒ **Increase reserves for non-performing assets.**

As the economy slowed we were able to increase reserves for NPA's and maintain a high capital level, which allows us to operate in a better fashion and serve our customers.

☒ **Reduce borrowings.**

We have been reducing wholesale funding over the past few years, and plan to continue this trend for the next year. However, some types of wholesale funding are cheaper and have less requirements than others and may be considered in the future.

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☒ **Increase charge-offs.**

We have been more aggressive with C/O's, but this is in line with current economic conditions and may not have any direct correlation to these funds.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

This program was the most reasonable alternative for increasing capital. It still remains that, and we plan to continue utilizing it for the near term. We will continue to research, but it is unlikely that a more attractive program or investment will be available. It allows us to better serve our customers and remain a community bank.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

We have been able to reduce the use of wholesale funding in a safe and prudent way, while increasing core deposits. We will continue to follow this strategy, which will better serve our community by putting more local deposits back into the local economy in the form of loans and security purchases.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

Again, the ability to manage the level of wholesale funding and investment of deposits and capital has been a plus for our bank. We are able to utilize longer term planning strategies which will be of benefit to our bank, community, shareholders and until the time of repayment--the taxpayers.